

BUSINESS MANAGEMENT

TERMS TO KNOW FOR THE STATE COMPETENCY TEST

1. **Added value** - takes an existing product, adds additional "value" usually in the form of a specific application, packaging, etc. and resells it as a new product or "package."
2. **Affirmative-action programs** – Program set up by a business firm to increase employment opportunities for women and minorities.
3. **Autocratic leadership style** – Leader reaches a decision, communicates the decision to subordinates, and requires them to implement it without further input.
4. **Balance sheet** – Statement of a firm's financial position on a particular date.
5. **Benefits** – Non-wage compensation provided to employees—includes such things as paid vacation, sick leave, insurance, etc.
6. **Break-even analysis** – Method of determining the minimum sales volume needed at a certain price to cover all costs. There would be no profit or loss at this point.
7. **Business ethics** – Standards of business conduct and moral values.
8. **Centralized** – Communications by team members through a single person to solve problems or make decisions.
9. **Clayton Act** – Passed in 1890. Makes it illegal for companies to monopolize trade.
10. **Comparable worth** – The idea that one group of individuals such as women should get pay equal to men for performing the same type of work with regard to such things as difficulty and responsibility or requiring similar levels of education and/or training.
11. **Compensation** – Payment, usually monetary, received as payment or reparation for goods or services.
12. **Computers** – Programmable electronic devices that can store, retrieve, and process data.
13. **Controlling** – Evaluating the organization's performance to determine whether it is accomplishing its objectives.
14. **Corporation** – Legal Entity with authority to act and incur liability separate from its owners.
15. **Cross training** – To provide training in different tasks or skills than those usually needed so the employee can do another job if the need arises.
16. **Culture** – A group's social heritage, including behavior patterns and values.
17. **Customers** – Consumers of goods and services.
18. **Day planner** – A hard copy or electronic way of planning daily activities that allows the user to better organize their time, keep track of meetings and events, etc.
19. **Debt financing** – Raising money through selling bonds, notes, or mortgages or borrowing direction from financial institutions.
20. **Decentralized** – System in which team members communicate freely among themselves to arrive at decisions together.
21. **Decision making process** – Recognizing a problem, identifying it, evaluating alternatives, selecting and implementing an alternative, and following up.
22. **Democratic leadership style** – A set up leadership characteristics favoring social equality that encourages participation of all team members in the decision-making process.
23. **Depression** – A period of low general economic activity marked especially by rising levels of unemployment.
24. **Directing** – Providing leadership to give direction so activities can be accomplished in a timely manner.

25. **Economics** – The study of the decisions or choices that go into making, distributing, and consuming products.
26. **Empowerment** - To delegate responsibility and authority to an employee to complete a task.
27. **Entrepreneur** - Person who conceives and initiates business activity. A risk-taker.
28. **Environmental control** - Protection of the environment through policies and laws concerning the control of the environment.
29. **Evaluate performance expectations** - To determine the significance, worth, or condition of usually by careful appraisal and study. Results are the ultimate goal.
30. **Exchange rates** - Rate at which one country's currency is exchanged for another's currency.
31. **Factors of production** - Resources used in the process of production. These are usually divided into three main groups—natural (land), human resources (labor) and capital (money)—but may also include entrepreneurship.
32. **Financial statements** - Financial report that summarizes accounting data, balance sheet and income statement are examples.
33. **Flexible work schedules** - A system that allows employees to choose their own times for starting and finishing work within a broad range of available hours.
34. **Form utility** – Utility created by converting raw materials and other inputs into finished goods and services.
35. **Franchise** - A license, granted by one company (franchisor) to another company or person (franchisee), entitling the franchisee to produce or market a product or service in a specific area. The license is usually reviewed periodically, typically every 6 months or annually.
36. **Franchiser** – The seller of a franchise.
37. **Herzberg Theory** - **Two Factor** theory of human motivation. According to his theory people were influenced by two factors. ***Satisfaction and psychological growth was a factor of motivation factors. Dissatisfaction was a result of hygiene factors. Essentially, hygiene factors were needed to ensure an employee was not dissatisfied. In order to motivate an employee into higher performance motivation factors were needed.***
38. **Human resource department** - The department of a business concerned with recruiting and managing employees.
39. **Human resource management** – Branch of a business that deals with the creation and management of systems that integrate people, materials, and energy in productive ways.
40. **Income statement** – A financial record of sales, expenses, and net profit for a given period.
41. **Inflation** - When the amount of money supply and business activity dramatically increases, accompanied by sharply rising prices.
42. **International trade** - Trade between two or more partners from different countries (an exporter and an importer). Early international trade consisted mostly of barter transactions.
43. **Interstate Commerce Act** – Passed in 1887 by Congress to force railroads to publish their rates and forbade them to change rates without notifying the public. Also established the Interstate Commerce Commission (ICC) to supervise the railroads.
44. **Joint venture** - An agreement between two or more firms to undertake the same business strategy and plan of action resulting in sharing a foreign business or government's operation costs, risks, and management.
45. **Laissez-faire leadership style** – A leadership philosophy or practice characterized by a usually deliberate abstention from direction or interference especially with individual freedom of choice and action.

46. **Leadership** – Act of motivating or causing others to perform activities designed to achieve specific objectives.
47. **Leadership style** – The way a leader chooses to act to motivate or cause others to perform activities designed to achieve specific objectives.
48. **Line-and-Staff** – Structure that combines the direct flow of authority of a line or organization with staff departments that serve, advise, and support the line department.
49. **Management functions** – The activities of planning, leading, organizing, and controlling.
50. **Market segmentation** - To divide a market by a strategy directed at gaining a major portion of sales to a subgroup in a category, rather than a more limited share of purchases by all category users.
51. **Marketing mix** - Organization's combined **product, pricing, distribution, and promotional** strategies.
52. **Marketing research** - The systematic gathering, recording, analyzing, and use of data relating to the transfer and sale of goods and services from producer to consumer.
53. **Mission statement** - Definitive scope of the overall business, in a concise narrative format.
54. **Nepotism** - The practice of giving promotions, basic employment, higher earnings, and other benefits to employees who are relatives of management.
55. **Net income** - The amount remaining when expenses are deducted from gross income.
56. **Oligopoly** - Not quite a monopoly, but getting there. A small group of large suppliers dominate a market, providing similar versions of a product, like cars.
57. **Organizational chart** - A graphic representation of how authority and responsibility is distributed within a company or other organization.
58. **Organizing** - To put together into an orderly, functional, structured whole.
59. **OSHA (Occupational Safety and Health Act)** - An arm of the U.S. Department of Labor that attempts to keep people safe in their workplace by setting safety standards and enforcing them. OSHA will inspect for such problems as contaminants in a factory's air.
60. **Planning** - Act of setting goals, developing strategies and tactics, and outlining tasks and timelines to meet those goals.
61. **Planning tools** – Those items that make it easier for a person or organization to set goals, develop strategies, and outline tasks and schedules to accomplish goals.
62. **Product safety** – The degree to which a product is safe from undergoing or causing hurt, injury, or loss.
63. **Profits** - The excess of income over all costs, including the interest cost of the wealth invested. The net income of a business is not an accurate measure of its profit.
64. **Proprietorship** - Ownership of a business, including income-producing real estate, by an individual, as contrasted with a partnership or corporation.
65. **Pure monopoly** - A **market** in which only one firm has total control over the entire **market** for a product due to some sort of barrier to entry for other firms, often a **patent** held by the controlling firm.
66. **Recession** - A period of general economic decline; specifically, a decline in gross domestic product (GDP) for two or more consecutive quarters.
67. **Recruitment** – The process of persuading someone or a business entity to become a new member of an organization.
68. **SBA (Small Business Administration) loan** – Obtaining a loan for the purpose of starting or continuing a small business. The SAB is a Federal government agency in Washington, D.C. that makes low interest loans to qualified small businesses.

69. **Sherman Act** – Passed in 1890. Made it illegal for companies to create monopolies.
70. **Social responsibility** - The idea that businesses should not function amorally, but instead should contribute to the welfare of their communities.
71. **Social Security Act** - A law passed in 1935 providing old-age retirement insurance, a federal-state program of unemployment compensation, and federal grants for state welfare programs.
72. **Strategic objectives** - The process of determining a company's long-term objectives and then identifying the best approach for achieving those goals.
73. **Theory X** – Management assumption that workers dislike work and must be coerced, controlled, or threatened to motivate them to work. Belief that employees need constant supervision.
74. **Theory Y** – Managerial assumption that workers like work; and, under proper conditions, accept and work out responsibilities to fulfill their social, esteem, and self-actualization needs. Belief that employees are motivated to work and thrive in a culture that supports motivation.
75. **Theory Z** – Management approach emphasizing employee participation as the key to increased productivity and improved quality of work life. Belief that management should create an environment for employees that values both performance and involvement.
76. **Training** - Education to develop a person's professional skills.
77. **Unemployment insurance** - State run insurance program funded by employers and payroll taxes that provide workers with weekly payments when they are fired or laid off.
78. **Variance Reports** – A report that goes through the difference between budget, standard costs and actual costs.
79. **Venture capitalists** – Organizations or individuals that make money available for investment in innovative enterprises or research, especially in high technology, in which both the risk of loss and the potential for profit may be high.
80. **Wheeler-Lea Act** – Passed in 1938. Bans unfair or deceptive acts or practices. Businesses must inform consumers of possible negative consequences of using their products.
81. **Whistle blowers** - A person or persons who tell someone in authority about something illegal that is happening, especially in a government department or a company.

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